

Chapter 5 Elements of a Contract

Section 5.1 Capacity and Legality



Note Taking

Directions As you read, write notes, facts, and main ideas in the Note Taking column. Write key words and short phrases in the Cues column. Then summarize the section in the Summary box.

Cues	Note Taking
<ul style="list-style-type: none"> Minor: not yet reached age of majority (18 in most states) 	<p>CAPACITY</p> <ul style="list-style-type: none"> Capacity is the legal ability to enter a contract, deeming it valid. <p>LEGALITY</p> <ul style="list-style-type: none"> Determines whether a contract is valid <p>STATUTE OF FRAUDS</p> <ul style="list-style-type: none"> State law requires certain contracts be in writing so there is evidence that the contract exists and has definitive terms. Examples: <ul style="list-style-type: none"> Interpretation of written contracts must follow certain rules:
<p style="text-align: center;">Summary</p> <p>In order for contracts to be deemed valid, certain criteria must be met.</p>	



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Social Studies

Public Policy, Statutes, and Contracts

Directions Certain contracts violate either statutes or public policy. Match each statute or public policy below with the contract or agreement that violates it. Place the letter on the line next to the matching violation.

Statute or Public Policy

- a. Civil and criminal statutes
- b. Agreement involving price fixing
- c. Usury statute
- d. Agreement to give up the right to litigate or arbitrate
- e. Gambling statute
- f. Agreement that defeats competitive bidding
- g. Sunday statute
- h. Agreement interfering with marriage
- i. Agreement to obstruct justice
- j. Agreement inducing breach of duty or fraud

Contract or Agreement

- _____ 1. This contract involves one party attempting to collect a gambling debt from another.
- _____ 2. This contract involves a set of competitors agreeing to sell their product at a certain price.
- _____ 3. This agreement limits the ability of one party to bring a lawsuit against the other.
- _____ 4. This agreement requires one party to refrain from contacting family members.
- _____ 5. In this contract, an offer is made on Saturday and accepted on Sunday.
- _____ 6. This agreement requires one party to commit a tort or crime.
- _____ 7. This agreement involves a lender charging more than the maximum legal interest rate.
- _____ 8. This agreement involves a government official using his or her position for private gain.
- _____ 9. This agreement involves firms agreeing not to bid lower than a certain price on government projects.
- _____ 10. This agreement involves offering to pay a juror to find a defendant not guilty.

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Study Skills Study Strategies

Directions Read the tips below. Then answer the questions that follow. Circle the letter of the answer that best completes each sentence.

STUDY STRATEGIES

- Use a desk calendar or student planner to record assignments as soon as you learn about them. Include the date the assignment is due. Block out enough time to do the work and complete the assignment on time.
- Use a different color pen or marker for each class.
- Record upcoming test dates. Mark these with a highlighter so they stand out. Block out extra study time to prepare for the test.

1. Capacity is the legal ability to
 - a. disaffirm a contract.
 - b. enter into a contract.
 - c. assume that an argument is untrue.
 - d. show intent not to live up to a contract.
2. The Statute of Frauds requires that certain contracts be
 - a. fair to all parties involved.
 - b. read by the court prior to signature.
 - c. written so there is evidence that the contract exists and has definitive terms.
 - d. free of stipulations.
3. To disaffirm a contract means to
 - a. agree to all terms and conditions.
 - b. prove a contract valid or invalid.
 - c. renew an existing contract.
 - d. show the intent not to live up to the contract.
4. An emancipated minor is one who
 - a. is under the legal control of his or her parents.
 - b. is no longer under the legal control of his or her parents.
 - c. lacks the legal capacity to enter into a contract.
 - d. shows intent not to live up to a contract.
5. Ratification is the act of agreeing to
 - a. void a contract.
 - b. search a minor student.
 - c. go along with the terms of a contract that could have been voided.
 - d. sue one of the parties to a contract.

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Test Prep Test Jitters

Directions Read the tips below. Then answer the questions that follow.

TIPS FOR TEST JITTERS
<ul style="list-style-type: none">• Having jitters before and during a test is normal, so do not worry about those butterflies in your stomach.• Keep in mind that this is only one test. Each test is important, but it is not the only test on which your grade depends.• When you feel nervous, take a deep breath. Clear your mind as you hold your breath. Exhale gently.• Rest is important. Get plenty of sleep the night before a test.• Dress in layers. If you get hot, you can remove one layer, or you can put one on if you get cold. Being comfortable during a test is important.

1. Who is required by law to determine if a person was mentally impaired upon entering into an agreement?

2. What is the definition of a minor?

3. What is the definition of an emancipated minor?

4. What is one way a minor can ratify a contract?

5. Under what circumstances may a student be searched by the authorities?

6. Explain one reason why certain states require people to have a license to do certain jobs.

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Section 5.2 Consideration



Note Taking

Directions As you read, write notes, facts, and main ideas in the Note Taking column. Write key words and short phrases in the Cues column. Then summarize the section in the Summary box.

Cues	Note Taking
<ul style="list-style-type: none"> • Benefits and detriments are decided by all parties involved. 	<p>CONSIDERATION</p> <ul style="list-style-type: none"> • Consideration: exchange of benefits and detriments by the parties to a contract • Three types of detriment: <p>TYPES OF CONSIDERATION</p> <ul style="list-style-type: none"> • Money <p>PROBLEMS WITH CONSIDERATION</p> <ul style="list-style-type: none"> • When amount owed is disputed, parties can use accord and satisfaction to settle. • Some agreements are valid w/o consideration: <ul style="list-style-type: none"> • Promises under seal
<p style="text-align: center;">Summary</p> <p>Consideration is the exchange of benefits and detriments by the parties to a contract.</p>	

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Section 5.2 Consideration



Mathematics Using a Chart

Directions Review the column “Agreement Between Parties” in the chart below. In the first column, fill in which type of consideration is involved. Next, determine whether each agreement is a legal contract. Explain your answers. The first one has been done for you.

Type of Consideration	Agreement Between Parties	Legal Contract?
Money	George takes out a loan from the bank and agrees to pay the amount, plus interest, back to the bank.	Yes. It involves the exchange of money in return for the promise to pay it back.
	A neighborhood boy takes it upon himself to shovel the driveways of his neighbors after a snowstorm. He then asks his neighbors for payment in return for his service.	
	Scott purchases stolen property by writing a check.	
	After assessing the damage to a local bar after a fight, the prosecutor agrees not to press charges against those guilty if they agree to pay for the repairs.	
	Edward donated \$1,000 to a local charity knowing that he would receive no direct benefit in return.	

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Study Skills Practicing Good Study Habits

Directions Read the tips below. Then answer the questions that follow by writing a check mark (✓) for each “yes” answer. If you cannot answer “yes” to each question, you may need to improve your study habits.

TIPS FOR GOOD STUDY HABITS
<ul style="list-style-type: none"> • Review class material every day instead of “cramming” it all in just before a test. • Be alert in class and take good notes. • Complete all assignments given by your instructor. • Study with classmates to learn from their points of view. • Maintain an organized notebook and folder for each separate subject. • Ask your instructor if you do not understand certain material. • Keep the television or radio off while studying. • Get plenty of sleep each night so you can better concentrate on your studies.

Question	Yes!
Have I studied today’s class material?	✓
Am I paying attention in class and taking good notes?	
Have I completed today’s homework assignment?	
Which classmates will I benefit from studying with or be able to help?	
Do I have an organized notebook or folder for each of my classes?	
Have I asked my instructor about any material I do not understand?	
Am I studying without the television or radio?	
Am I getting enough sleep each night?	

How can I improve my study habits to maximize my learning potential?

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Test Taking What to Do During a Test

Directions Read the tips below. Then answer the questions that follow by writing the correct answers in the space provided.

TEST-TAKING TIPS

- Read the test directions carefully. Underline words that will help you follow directions, such as *summarize*, *compare and contrast*, or *explain your answer*.
- When you have finished the test, check your answers to make sure you have answered every question.
- For essay and short-answer questions, reread your answers. Check spelling, grammar, and sentence structure.

1. Which is one of the three characteristics of consideration?
 - a. The benefits and detriments that make up consideration must be legal.
 - b. doing what you have the right not to do
 - c. refusing to enforce the entire contract
 - d. marking a contract to indicate that it is a formal agreement

2. Which of the following is not a type of consideration?

a. money	c. writing a fair contract
b. property	d. a promise not to sue

3. Which of the following is not a type of detriment?
 - a. giving up something that you have the right to keep
 - b. reading the terms of the agreement
 - c. doing something that you have the right not to do
 - d. not doing something that you have the legal right to do

4. Which is a contractual situation in which consideration does not apply?

a. an exchange of money for goods or services	c. an exchange of money for property
b. a charitable pledge	d. a promise not to sue

5. What does the term *forbearance* mean?
 - a. giving up something that you have the right to keep
 - b. exchanging something of value for something else of value
 - c. not doing what you have the legal right to do
 - d. offering a service as consideration

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Chapter Content Vocabulary



Directions For each term or phrase, write one or two sentences to show that you understand its meaning. The first one has been done for you.

1. disaffirm The agreement did not protect his interests, therefore Joe decided to disaffirm the contract and make it void.

2. majority _____

3. capacity _____

4. forbearance _____

5. consideration _____

6. minor _____

7. public policy _____

8. ratification _____

9. unconscionable contract _____

10. adhesion contract _____

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Chapter Academic Vocabulary



English Language Arts Vocabulary

Directions Fill in the bubble of the phrase that best completes each sentence.

1. **Usury** is an example of an activity that
 - has the potential to provide both parties with cash benefits.
 - has the hidden dimension of illegality.
 - assures fair treatment to all parties to an agreement.
 - is exercised by the court.
2. A contract that gets in the way of the **dispensing** of justice is
 - standard procedure.
 - a legal way to conduct business.
 - illegal.
 - rare.
3. The **assumption** that a person has the capacity to enter into a contract is called
 - rebuttable presumption.
 - ratification.
 - age of majority.
 - the parol evidence rule.
4. The agreed-upon settlement as **contained** in the accord
 - is an illusory promise.
 - can be declared void by either party.
 - is the satisfaction.
 - is unenforceable.
5. A seal is a mark or an impression placed on a written contract **indicating**
 - that the contract is old.
 - how many parties are involved.
 - that the terms favor one party over the other.
 - that it is a formal agreement.
6. A preexisting duty is an **obligation** that
 - a person can use again in a new contract.
 - benefits both parties.
 - already commits a person to do something.
 - takes advantage of the other parties involved.